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No. 887

In the

Supreme Court of the United States

OCTOBER 1967 TERM

ROYAL TOPS MFG. CO. and
RANDY BROWN,

Petitioners,

vs.

DONALD F. DUNCAN, INC.,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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STATEMENT

Since the petition does not fully disclose the history of the case at bar, a brief recapitulation follows. Subsequent to the decision of the Seventh Circuit Court of Appeals on the merits of the trademark infringement action involving the term yo-yo, Donald F. Duncan, Inc. was adjudicated a bankrupt. Petitioners submitted a claim against the bankrupt estate for One Million Forty-seven Thousand Dollars ($1,047,000.00) based upon two counterclaims asserted in the prior litigation. (App.II 85a,87a)*

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* The appendix in Appeal No. 14575 ("earlier litigation") shall be referred to as "App.I....a," and in Appeal No. 15851 as "App.II....a."

The District Court in the earlier lawsuit had entered Findings of Fact and Conclusions of Law dismissing these counterclaims (App.I 110a) but no formal judgment order was entered dismissing them. Petitioners did not seek correction of the judgment order and did not cross-appeal on the dismissed counterclaims. Instead, the allegedly renascent counter-claims were made the basis of a creditor claim in bankruptcy prior to entry of judgment by the District Court on the mandate. This creditor's claim was purportedly compromised by the referee in bankruptcy until the District Court dismissed the counterclaims in a formal judgment on the mandate.

Petitioners then unsuccessfully challenged jurisdiction of the District Court on appeal. (A. 7a)

In the earlier litigation on the merits of the trademark infringement action, Petitioners were provided full opportunity to prove that the trademark was falsely or fraudulently procured. The proof was found inadequate. (App.I 109a)

Upon remand from the appeal in this earlier litigation (which did not involve the counterclaims), the District Court followed the mandate and dismissed them *formally*.

The Questions Presented By Petitioners Are Not Properly Before This Court

The questions pressed by petitioners were embodied in counter-claims dismissed in prior litigation. No appeal was taken from this dismissal on the technical argument that no formal judgment was entered. The argument was pithily disposed of by the Court of Appeals as follows:

> "The defendants [petitioners] excuse their failure to cross-appeal the district court's original ruling on the counterclaims by saying that no 'judgment' ex-

> isted from which an appeal could be taken pursuant to Rule 73. It is obvious that the defendants could easily have proceeded to correct the district court's oversight if they had seriously desired to test the merits of a dismissal of their counterclaims by appeal to this court. (A.8a, n.5)

Thus, it is extremely questionable whether the merits of the counterclaims were not finally adjudicated on the first appeal.

In any event, petitioners' contention that the first appeal (reversing the lower court and finding the trademark invalid) re-opened the entire matter of the counterclaim is palpably too broad. As cogently observed by the Court of Appeals:

> Accepting the proposition that the counterclaims continued as unresolved issues in the case despite the absence of any effort to pursue them by cross-appeal, the most that can be said for this argument is that the district court could only have been obliged, following the reversal of this court, to reconsider the evidence which had been presented on the counterclaims at trial in the light of our subsequent determination that the 'Yo-Yo' trademarks were invalid as generic." (A. 8a)

The appellate court then pointed out that this was precisely what the district court had done. (A. 8a)

Respondent cannot improve, by paraphrase, upon the conclusion of the Court of Appeals:

> "The issues raised by the counterclaims had been heard on their merits; the defendants [petitioners] had had their day in court." (A. 8a)

Apparently out of judicial magnanimity, the court gave petitioners a second day in court on the merits, but to no avail. Petitioners, on the dubious presumption that *some*

day must be their day, now seek a third day in court. This, notwithstanding that the questions when fairly stated present no novel or unresolved issues.

The Decision Below Has Precipitated No Question Which Demands Resolution By This Court

There is no conflict between the decision below and the law as enunciated by this Court in *Walker Process Equipment, Inc.* v. *Food Machinery and Chemical Corporation,* 382 U.S. 172 (1965). In the *Walker* case it was specifically held that proof of fraudulent procurement of a patent was not a *per se* violation of Section 2 of the Sherman Act. Moreover, it must be shown that defendant *knowingly* and *willfully* misrepresented facts to the Patent Office. In the present case, the Court of Appeals, referring to its previous decision holding the trademark descriptive (upon which petitioner relies as overruling the lower court), stated:

> Nothing in the opinion of this court on the prior appeal fairly suggests that the registration of the Duncan trademarks was procured by knowingly false statements or by fraud. The fact that prior to making application for its trademarks Duncan acknowledged the existence of doubt as to whether the term 'yo-yo' would be held descriptive did not make its later application, *in which attention was called to the very proceeding where the doubt had been expressed,* a bad faith attempt to register a mark known to be invalid." (Emphasis added.) (A. 9a)

Furthermore, the *Walker* case additionally required proof of the other elements which normally comprise a Section 2 violation, *i.e.* monopolization or attempt to monopolize the relevant product and geographic market. In the case at bar, petitioners' evidence in this regard was negligible.

Similarly, petitioners' claim under Section 38 of the Lanham Act failed for lack of proof that respondent made any false declaration in obtaining the trademark registration. The contended conflict with other decisions is specious. There has been no finding in this case that the term yo-yo was generic *at the time application for trademark was made.* It was subsequently found that the term was generic and that Duncan had no exclusive right to use of the word. But there was no proof that Duncan falsely stated in the application for registration that "to the best of his knowledge and belief" he had the exclusive right to use. Surely petitioners recognize that a difference in *result* in cases does not inexorably indicate a conflict in the principles of law applied.

Finally, petitioners' *interpretation* of the case of *Kellogg Company* v. *National Biscuit Company,* 71 F.2d 662 (2d Cir. 1934) is not only in conflict with the instant case, but with the decision of this Court in *Walker Process Equipment, Inc.* v. *Food Machinery and Chemical Corporation, supra. Walker* clearly holds that more must be shown to establish an antitrust violation than the assertion of a known invalid claim, *per se.* Moreover, the facts do *not* show that the respondent knew the mark was invalid. Nor is the statement of the court (A. 27a) relied upon by petitioner ("evidently in recognition of the fact") any more than a simple introduction to an explanation of respondents' use of another generic term. The *Kellogg* case, when *properly* construed, is consistent with the decision in this case and with the *Walker* case.

CONCLUSION

It is submitted that the presented questions are not properly before this Court, and in any event, when properly stated, raise issues which are well-resolved. For these reasons, this petition for a writ of certiorari should be denied.

Respectfully submitted,

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